

## RELATIONS WITH DEVELOPING COUNTRIES

For many developing countries, the global economic environment of the late 1980s and the 1990s will remain difficult. The environment, population growth, urbanization and continued poverty are emerging as critical issues for those seeking to meet the challenge of Third World development. There is, moreover, a growing diversity among developing countries in terms of their capacity to move forward with their own development.

In dealing with these problems, developing countries themselves will continue to play the primary role. In recent years, many have been undertaking difficult economic policy reform efforts, aimed at restructuring their economies to improve efficiency and international competitiveness. These efforts deserve continued encouragement and support from both bilateral donors such as Canada, and from the international financial institutions, particularly the IMF and the World Bank.

There was a resumption in the growth path of global official development assistance in 1988. Canada believes that continued and enhanced cooperation among donors, with the Bretton Woods institutions providing appropriate coordination, will contribute to the most effective flow of policy advice and resources to developing countries. The recently agreed upon general capital increase for the World Bank and the general resource increase for the Inter-American Development Bank will allow these institutions to contribute increased financial resources to the efforts of developing countries. Canada will continue to play a strong role in the multilateral institutions to ensure that policy advice to developing countries is of the highest quality and takes into account the needs of the poorest people in the poorest countries.

Adequate and high-quality development assistance is an important contribution that donors can make to development. Canada's view is that every effort must be made to ensure that such resources are available in sufficient quantity, on appropriately concessional terms and in support of developmentally sound programs.

Canada's own development assistance program is a substantial one: over the next five years, Canada will provide \$16 billion. In 1988 Canada ranked first with France as the most generous donor on an Official Development Assistance/Gross National Product (ODA/GNP) basis among Summit countries, and the seventh most generous donor among OECD countries. After a

reduction this year, the Canadian program will begin to grow again next year. It will be linked to the growth of the Canadian economy, and the ODA/GNP ratio itself will be increased over time.

Canada's assistance will continue to be provided on an all-grant basis; thus Canadian aid will not add to developing countries' debt burdens.

Quality improvements were introduced into the Canadian aid program in the 1988 aid strategy, **Sharing our Future**. The central principles of the strategy focus on reaching the poorest countries and peoples, ensuring that development priorities prevail in the aid program, helping recipients to help themselves and fostering partnerships between Canada's people and institutions and those of the Third World.

Canada will continue to work to help developing countries, particularly the poorest, address their debt and development problems. Canada played an important role at both the 1987 Venice Summit and the 1988 Toronto Summit in this area. At Venice, leaders called for the creation of the Enhanced Structural Adjustment Facility (ESAF) of the IMF to provide concessional financing for the poorest countries implementing economic reforms. There was also agreement on improving the terms under which official debt is rescheduled at the Paris Club. At Toronto, leaders agreed on a "framework of comparability" — a compromise suggested by Canada — for rescheduling debt at the Paris Club, which allowed for more generous terms for the poorest countries. These "Toronto terms" are now being applied in the Paris Club.

At the same time, some donor governments, including Canada, have forgiven past official development assistance debts of a number of developing countries. Canada announced such action for 13 African countries at the 1987 Francophone Summit and the Commonwealth Heads of Government Meeting. This helps relieve debt burdens and is an appropriate action in the case of ODA debt, which is generally regarded as being of a special nature in comparison to commercial debt or even other official debt. More important, Canada's action served as an example that other donor governments might follow.

Over the coming months, development issues will continue to be an important feature of the international economic agenda. Some of the